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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

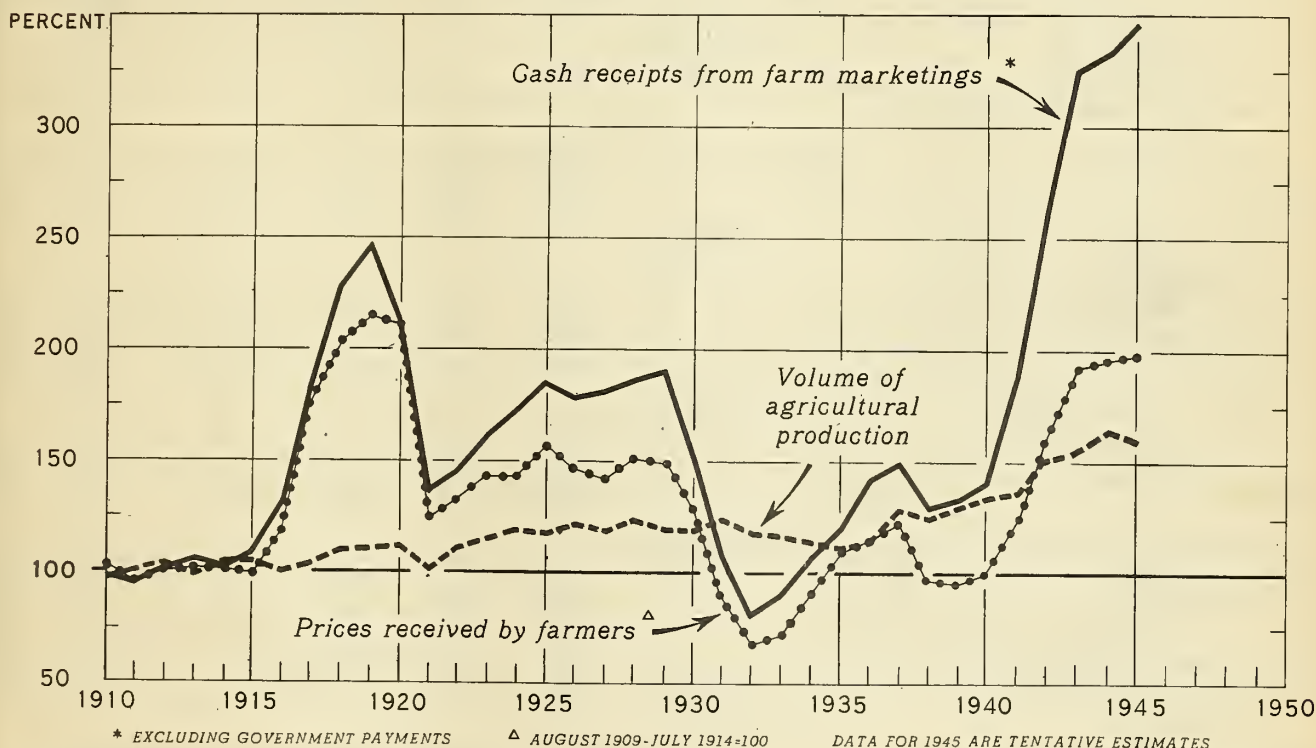
WASHINGTON, D. C.



DECEMBER 1945

AGRICULTURAL PRODUCTION, PRICES, AND RECEIPTS UNITED STATES, 1910-45

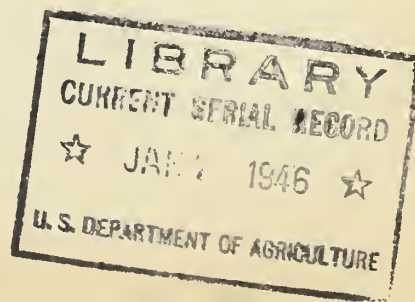
INDEX NUMBERS (1910-14=100)



U. S. DEPARTMENT OF AGRICULTURE

NEG. 39408 BUREAU OF AGRICULTURAL ECONOMICS

The volume of agricultural production increased each year from 1938 to 1944, and in 1945 it may be almost as large as last year. Prices received by farmers have advanced each year since 1939, although the increase was slight in both 1944 and 1945. The result has been a rapid increase in cash receipts from farm marketings from 1940 to 1943, and moderate increases in 1944 and 1945.



ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1944		1945			
		Year	Oct.	July	Aug.	Sept.	Oct.
Industrial Production <u>1/</u>	1935-39:						
Total	- 100 :	235	232	210	187	171	164
All manufactures	" :	252	248	222	195	177	172
Durable goods	" :	353	344	293	243	204	192
Nondurable goods	" :	171	169	165	157	156	156
Minerals	" :	140	143	143	140	134	119
Construction activity <u>1/</u>	1935-39:						
Contracts, total	- 100 :	71	73	94	106	120	138
Contracts, residential	" :	39	32	56	59	64	76
Wholesale prices <u>2/</u>	1935-39:						
All commodities	- 100 :	129	129	131	131	131	131
All commodities except farm and food	" :	121	122	123	123	123	123
Farm products	" :	162	162	170	167	164	168
Food	" :	133	132	135	135	133	134
Prices received and paid by farmers <u>3/</u>	1910-14:						
Prices received, all prod.	- 100 :	195	194	206	204	197	199
Prices paid, int. and taxes	" :	170	170	173	173	174	175
Parity ratio	" :	115	114	119	118	113	114
Consumers' price <u>5/</u> <u>6/</u>	1935-39:						
Total	- 100 :	126	126	129	129	129	129
Food	" :	136	136	142	141	139	139
Nonfood	" :	120	121	123	123	124	124
Income	1935-39:						
Nonagricultural payments <u>4/</u>	- 100 :	231	234	240	233	227	230
Cash farm <u>3/</u>	" :	248	262	282	274	256	262
Income of Industrial Workers <u>3/</u> ..	" :	329	324	287	260	223	218
Factory payrolls <u>5/</u>	" :	361	357	305	273	228	227
Weekly earnings of factory workers <u>5/</u>	Dollars :						
All manufacturing	" :	46.08	46.94	45.45	41.75	40.88	---
Durable goods	" :	52.07	53.18	50.66	45.79	43.89	---
Nondurable goods	" :	37.12	37.97	38.59	36.62	37.85	---
Employment	:						
Total civilian <u>7/</u>	Millions:	51.8	52.2	54.3	53.5	51.2	51.9
Employees in nonagri. est. <u>5/</u> ...	Thous. :	38,682	38,360	37,229	37,015	35,344	34,908
Farm <u>3/</u>	" :	10,037	11,839	11,100	10,612	10,907	11,052
Government finance (Federal) <u>9/</u> ...	Mil. dol.:						
Receipts, net	" :	3,702	2,001	2,695	2,997	5,189	2,530
Expenditures	" :	8,097	8,024	8,557	7,354	6,611	5,950

Sources: 1/ Federal reserve Board; converted to a 1935-39 base. 2/ U.S. Dept. of Labor, B. L. S. 3/ U.S. Dept. of Agriculture, B. A. E. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U.S. Dept. of Labor, B. L. S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U.S. Dept. of Commerce, Bureau of Census. 8/ Beginning July 1945 figures are on a new basis and therefore are not comparable with the previous figures. 9/ U.S. Dept. of Treasury.

Data for 1944 are on average monthly basis.

THE DEMAND AND PRICE SITUATION

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DEMAND FOR FARM PRODUCTS

The demand for farm products is likely to be maintained close to its present high level, at least until 1946 crops become available in Europe and Asia. Domestic demand, which was partially unsatisfied during much of 1945 because of rationing and price controls is expected to continue very large in spite of a prospective small decline in consumer incomes. Exports of agricultural products, which rose to about three times their 1935-39 level during the war, are likely to be maintained at or above their wartime level during the next few months, provided means for financing are made available. Demands for relief in the liberated areas are now greater than at any time during the war.

Reconversion to a peacetime economy has been proceeding rapidly and with less unemployment than had been commonly anticipated. The total number unemployed reached a peak of 1.6 million in September, double the figure for August. In both October and November, the number unemployed was slightly lower than in September in spite of an increase in the civilian labor force. The total number of persons in civilian employment increased in both October and November. The number of persons with a job but not working because of illness, bad weather, vacation, labor dispute or temporary lay-off was slightly smaller in November than in October.

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Consumer expenditures are continuing at a level about 3 percent above last year, although slightly below the first quarter of 1945. The total value of retail sales in October was about 9 percent above October 1944 and has apparently continued at this high level. Since retail prices increased only 2 percent during the same period, most of the increase in sales has been either in physical volume or the result of the purchase of higher priced lines of goods. By far the largest increase in retail sales has been in durable goods, but sales by food stores in October were slightly above a year ago and higher than at any time since December 1944.

The abrupt decline in industrial production following VJ-Day has now slackened. The seasonally adjusted index for October of 1945 was only 7 points below September, compared with a decline of 23 points from July to August and 16 points from August to September. Present indications are that the decline in industrial production in November was small. The effect of stopping the production of war goods is now largely past and the strong demand for consumer goods in this and other countries may prevent industrial production from declining much below its present level.

Activity in the construction industry has increased considerably in recent months, in spite of shortages of most building materials. The seasonally adjusted index of contracts awarded for October was 79, nearly double a year earlier and 50 percent above June 1945. The largest increase has been in the value of contracts for residential construction, which was 140 percent larger in October this year than last, but still 24 percent below the 1935-39 average. Because of the extreme shortage of housing, construction activity is expected to increase greatly during the coming year.

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INCOME PAYMENTS

The high level of income currently being received by nonfarm people is an important factor maintaining the present level of domestic demand for farm products.

The seasonally adjusted index of nonagricultural income payments increased slightly in October to 230, after declining about 5 percent from July to September. The rise in October was primarily the result of a considerable increase in mustering out payments by the military services and in unemployment compensation payments. The seasonally adjusted index of salaries and wages declined slightly from September to October. Military and civilian payrolls of the Federal Government and factory payrolls all decreased considerably. These decreases more than offset increases in other sectors of the economy, particularly the trade and service industries.

Total salary and wage payments have been decreasing slowly since February 1945. By September this year they were 11 percent below their wartime peak. These decreases have been concentrated in a few sectors of the economy. The most important were in factory payrolls, which reached their wartime peak in November 1943, and declined about 7 percent by February 1945. Since that time the decline has been greatly accelerated, and factory payrolls for September this year were one-third below February. The greatest decline has occurred in industries manufacturing machinery, transportation equipment and certain chemicals. Payrolls in industries manufacturing food and tobacco products have increased somewhat in recent months.

Up to the beginning of 1945, the decline in factory payrolls was entirely the result of declining factory employment. Factory payrolls per employed worker reached a peak in January 1945 and then declined slowly until July. Between July and September they dropped 11 percent. This was partly the result of a 6 percent decline in the average number of hours worked per week. However, the average hourly earnings of factory workers also declined -- about 4 percent. The decline in hourly earnings was partly the result of the reduction in overtime for which premium rates of pay were received, and partly the result of declining employment in war-expanded industries where wage rates were highest. These factors more than offset the effect of wage increases received by some workers.

A large part of the immediate postwar adjustment of industry to peacetime conditions appears to have already been made. Consequently, declines in factory payrolls are likely to be considerably smaller during the next few months than they have been since VJ-Day.

AGRICULTURAL PRICES

It seems likely that the average prices of farm products will remain near their present level for the next few months. Prices of most crops are likely to be maintained at their present levels or to advance slightly during the next 3 or 4 months. Prices of livestock products may decline slightly, in accord with their usual seasonal trend.

The index of prices received by farmers for November was 205, a rise of 6 points from the previous month, and only 1 point below the wartime peak reached in June and July. The greatest increases in prices from October to November were for truck crops, eggs, rye, oats and apples. Most of these increases were considerably greater than usually occur at this season of the year. Since the end of the war, there has been an appreciable rise in the prices of food grains, cotton, eggs, and dairy products. Prices of beef cattle, sheep and lambs, and most fruits except apples are lower than in July.

The parity index of prices paid, interest and taxes for November remained at 175, the same as for October, but otherwise the highest since 1920. However, the index is only 5 points above a year ago. Most of the increase in the past year has been in the price of commodities used in family living.

The ratio of prices received to prices paid, interest and taxes was 117 for November. This is an increase of 3 points from October. Since the beginning of 1943, the ratio has varied from 113 to 123 percent of parity, compared with an average of 84 for 1935-39. Present price prospects indicate that the ratio probably will remain near its present level for the next several months.

FARM INCOME

Total cash receipts from farm marketings from January through November 1945 amounted to around 18,870 million dollars, slightly above the same 11-month period in 1944. Cash receipts from crops of 8,580 million dollars were 8 percent greater than a year earlier, while income from livestock and livestock products of 10,291 million dollars was 3 percent less. Unusually large proportions of the 1944 and 1945 crops of tobacco were sold in 1945, at higher prices than last year and cash receipts from tobacco for the first 11 months rose one-third above 1944. Increased prices accounted for most of the 10 percent rise in cash receipts from vegetables. The drop in income from livestock and livestock products was caused largely by a severe decline in hog marketings.

During December cash receipts may be about 1,860 million dollars, about 15 percent less than in November and 10 percent above December 1944. Because of unusually heavy marketings from the large wheat crop and the late maturing cotton crop, income from crops is running slightly above December 1944. Cash receipts from livestock and livestock products are about 15 percent over December 1944; income from meat animals accounts for most of the gain.

In January, total cash receipts may drop only about 5 percent which is less than last year. Income from livestock and livestock products will be raised slightly above the December level, because of increased hog marketings. Increased cash receipts from tobacco, resulting from the elimination of ceiling on some of the high-priced cigar types, may prevent income from crops making more than last year's decline of 14 percent.

Total cash receipts in February may show about the same decline from January as occurred in the past few years. Income from cotton and tobacco probably will be maintained at relatively high levels, and cash receipts from crops may not show as great a drop as last year. Income from livestock and livestock products may decline slightly more than in 1945.

LIVESTOCK AND MEATS

Marketings of meat animals for slaughter during the early part of 1946 will be large, but prices for all classes are likely to continue near 1945 levels during the first half of 1946. Meat production in the first 6 months of 1946 probably will be moderately greater than a year earlier, with most of the increase in pork. Meat purchases by the armed forces in 1946 will be reduced at least two-thirds from 1945, when such purchases totaled around 4.3 billion pounds, dressed meat basis. But purchases for export to Europe will continue large, at least during the winter, with stated purchase requirements totaling 1,000 million pounds, dressed meat basis in the first half of 1946 compared with actual purchases of about 600 million pounds in the corresponding period of 1945. With a continued high level of consumer purchasing power in prospect, total demand for meat through early 1946, especially for the better grades, will remain strong.

Hog prices declined from ceilings during late November for the first time since January. But hog prices are likely to increase to ceilings after the winter peak of marketings has passed. Another decline in the price of live hogs is likely in the late spring at the time of peak marketings from the large 1945 fall pig crop.^{1/}

Despite a high level of cattle feeding this winter and prospective large marketings of fed cattle in the first half of 1946, prices of fed cattle are not likely to decline greatly from present high levels. With large supplies of immature corn and of roughage feeds, the demand for feeder and stocker cattle will continue relatively strong during the winter, and prices of such cattle probably will continue higher than a year earlier. The 50-cent subsidy on fed cattle, to continue through June 1946, is being reflected in a higher price for feeder cattle than a year ago when the subsidy was not in effect.

Unit returns to farmers for lambs sold for slaughter during the first 6 months of 1946 probably will be higher than a year earlier, with prices at least as high as in the first half of 1945 and with direct subsidies in effect since early August 1945 to continue through June 1946.

In the second half of 1946, unit returns to farmers and ranchers for sales of all classes of the meat animals, except possibly for lambs, are likely to average lower than in the same period of 1945. It has been announced that all subsidy payments on meat and meat animals, except the special payments to non-processing cattle slaughterers, will end by mid-1946. When subsidies are eliminated, meat prices probably will not rise sufficiently, even if ceilings are removed, to prevent lower average returns to farmers. Total subsidies to slaughterers and farmers combined at present average about \$2.10 per 100 pounds liveweight for all meat animals sold for slaughter. This is equivalent to about 4 cents per pound for meat at retail.

^{1/} The termination of the rollback subsidy of \$1.30 per live hundredweight is scheduled not later than March 31, and the termination of the remaining pork subsidy of 40 cents per live hundredweight not later than June 30, 1946.

DAIRY PRODUCTS

Total effective demand for dairy products for the first quarter of 1946 is expected to be the strongest since the outbreak of war, partly because of the removal of wartime restrictions on production and consumption of dairy products. Export demand continues strong. Since creamery butter is the residual user of the milk supply, it will be shortest in supply in relation to demand at present prices. Prices received by farmers through the first quarter of 1946, if present price ceilings are continued, will not be much different from the corresponding period of 1945.

If price ceilings are continued at present levels, prices received by farmers for whole milk during the flush production season may average somewhat lower than a year earlier, reflecting a reduction in noncivilian takings of products manufactured from whole milk. But butterfat prices probably will be about unchanged. On the other hand, if price ceilings should be raised or removed in 1946, particularly on butter and fluid milk, prices for whole milk will tend to be moderately higher and prices of butterfat materially higher than in 1945. The supply of butter at present prices will be short of potential demand during all of 1946, but demand and supply of most other dairy products are expected to be reasonably well in balance after the first quarter.

Milk production in 1946 is expected to be moderately below the all-time high of over 123 billion pounds produced in 1945. Production is dependent in part on weather and on returns to farmers, including Government payments, authorization for which extends only to June 30, 1946. Output of most manufactured dairy products (Cheddar cheese, evaporated and condensed milk, and dried whole milk) is expected to be lower in 1946 than in 1945, owing to reductions in noncivilian takings. Creamery butter production may begin to exceed the 1945 rate of output in the flush-production season about midyear.

POULTRY AND EGGS

Production of eggs in the first half of 1946 probably will be about the same as in the first half of 1945. Large supplies will be available for civilians. An excess of supply over demand probably will exist, and measures to support prices at 90 percent of parity will be necessary. Civilian demand will remain fairly strong, though below 1945 levels, when consumer income was at a record level and when meat supplies were short. In the first half of 1945, over 200 eggs per capita were consumed. Prices generally were at ceilings during that period.

Chicken meat prices in the first half of 1946 probably will be moderately below the previous year, but at about present levels. Total supplies will be declining seasonally, but will be at record or near-record levels for the period. Civilian supplies per capita probably will exceed those in any corresponding period in earlier years.

FATS, OILS, AND OILSEEDS

Factory and warehouse stocks of fats and oils on October 1, the usual seasonal low point, totaled approximately 1,660 million pounds, about 670 million pounds less than a year earlier and the least since 1936. Fats and oils probably will continue in tight supply throughout 1946. Domestic production and consumption of fats may be moderately larger than in 1945 -- exports

smaller. Strong demand for fats to increase domestic consumption over current subnormal levels and to rebuild inventories will be important price-supporting factors.

Tentative acreage goals recently announced for 1946 oilseed crops, subject to revision in State meetings, suggest an increase of 9 percent over 1945 in cotton acreage in cultivation July 1, to 20 million acres; a slight increase in planted acreage of flaxseed, to 4.2 million acres; a 10-percent decrease in acreage of soybeans for beans, to 9.5 million acres; and a 23-percent decrease in acreage of peanuts picked and threshed, to 2.5 million acres. A minimum average return to producers of \$3.60 per bushel, Minneapolis basis, has been guaranteed for flaxseed produced in 1946. This is equivalent to approximately \$3.40 per bushel, farm basis, and is nearly the same as returns to farmers in 1945 if the \$5.00-per-acre payments are included on a per-bushel basis. Support prices for 1946 oilseed crops other than flaxseed have not yet been announced.

Prices of fats, oils, and oil meals were maintained at ceiling levels in November and early December. Market reports indicate that suppliers of oil meal and of most fats and oils were not able to accept all orders. Wholesale butter prices advanced the full 5 cents permitted by new ceilings effective November 1. Soybean prices rose in November despite the seasonal peak in marketings. Midmonth prices to farmers for soybeans averaged \$2.09 per bushel, close to the ceiling of \$2.10, compared with \$2.05 a month earlier and \$2.04 in November 1944. Demand for peanut products is exceptionally strong, and prices to growers for farmers' stock peanuts advanced to an average of 8.3 cents per pound in mid-November, 0.2 cent higher than a month earlier and a year earlier.

CORN AND OTHER FEED

Demand for corn and other feed grains continued exceptionally strong during November and early December, and available market supplies were insufficient to meet the unusual demand. Despite large feed grain crops in 1945, the feed supply situation this winter is much tighter than a year ago, and prospects appear to be for continued short market supplies of feed grains relative to the unprecedentedly strong demand, at least until new-crop grain becomes available in 1946.

Prices received by farmers for oats, barley, and grain sorghums have advanced more than seasonally so far in the current marketing season, and corn prices have declined less than seasonally. Feed grain prices, except possibly oats, probably will average slightly higher for the entire 1945-46 season than in 1944-45, although probably not quite so high as in 1943-44 when they reached a peak for recent years.

Output of byproduct feeds has been at near-record levels during recent months, but demand for those feeds also has been exceptionally strong, and the supply, relative to demand, has been small. Uneven distribution of available supplies has been an important factor in the very tight high-protein feed supply situation. Byproduct feed prices are all at or near ceilings and have been so for 2 to 3 years. Indications are that the demand for byproduct feeds, and particularly the high-protein feeds, will continue strong at least until

summer of 1946. Demand for some kinds of livestock feed is expected to be somewhat easier by fall of 1946, in view of the prospects for lower returns from dairy products and meat animals in the last half of 1946, and for lower egg prices during most of the year.

The total supply of byproduct feeds for the 1945-46 feeding season will be somewhat smaller than the record large 1944-45 supply. Most of the decrease will be in cottonseed cake and meal, and in distillers' dried grains.

Total supplies of feed concentrates for the 1945-56 season, including feed grains, byproduct feeds, and wheat and rye for feed are indicated, on the basis of December 1 indications, at about 158 million tons, about 3 million tons less than in 1944-45. Wheat feeding will be on a smaller scale than last season, and smaller quantities of oats and barley will be imported. Larger-than-usual quantities of oats are on hand, and much substitution of that grain for corn, barley, and wheat is expected this season.

WHEAT

Cash wheat prices remain at about ceiling levels, and in mid-November averaged 99 percent of parity. Market supplies continue very limited, so that neither exporters nor millers are able to obtain wheat in nearly the volume wanted. It is expected that market supplies will increase, but in sufficient quantities to satisfy needs. Therefore, prices will not decline much, if any, from present levels. Improvement in empty car supply has occurred over the grain-growing areas of the middle west as a whole, and especially in Texas and Oklahoma.

The quantity of wheat under loan this year has not been of great importance. Up to November 30 only about 50 million bushels were under loan, of which about 1.4 million bushels were 1944 farm-stored wheat. The total a year earlier was 160 million bushels. On November 30, the CCC owned about 87 million bushels.

The size of the carry-over July 1, 1946, will be largely dependent upon the volume of exports. A carry-over of 300 million bushels is based on exports of wheat and flour equivalent to about 325 million bushels. During the past month exports have been below schedule, but every effort is being made to accelerate the movement so that exports may total 325 million bushels or more.

Condition of winter wheat is reported good in all areas, except the Great Plains where more moisture is needed and damage from soil blowing in western sections is still probable. Some wind damage to wheat was reported from north-central Montana. In the more northern sections wheat is well protected by snow cover.

FRUIT

Prices received by farmers for apples, pears, and grapes are expected to remain firm this winter, advancing with scheduled increases in ceiling price. Prices for citrus fruits, however, are expected to decline considerably from the high levels attained during December.

Prices for citrus fruits at terminal wholesale markets advanced sharply during the first week after the suspension of maximum prices on November 19. They tended to advance further the second week, but in early December there were some declines, notably in grapefruit and lemons. The increases in prices for oranges and grapefruit were most pronounced for the better grades and larger sizes, for which demand was the strongest. Contributing to these upsurges in price were a slowness in the movement of the fruit to market and relatively high prices paid by processors for oranges and grapefruit, which diverted substantial quantities of such fruit from fresh market channels. The market for citrus fruit is expected to continue strong while the Christmas season is under way, but following this usual brisk trade, prices are likely to decline seasonally during January and February as demand weakens and supplies increase in volume.

Prices for apples on the New York City and Chicago wholesale markets continued at ceilings during November and early December, reflecting a strong demand for the very short supplies this season. Prices for the remaining stocks, of which cold storage holdings December 1, 1945 were about two-fifths smaller than a year earlier, are expected to continue at ceiling levels to the end of the season. Imports from Canada, where the apple crop was also short, will be very light this season. They totaled 91 cars this season through December 1, compared with 1,978 cars for the corresponding period last season.

Pears on the New York City and Chicago Wholesale markets advanced in price during November and early December, averaging close to ceiling levels. With cold storage holdings on December 1 about the same as a year earlier and a continued strong demand, prices are expected to remain at or near ceilings for the remainder of this season.

TRUCK CROPS

For Fresh Market

Prices received by farmers for most commercial truck crops produced for fresh market shipment probably will decline somewhat in January and February from their December price levels. Increases, however, appear likely for lettuce, onions, and tomatoes. Such price movements would be consistent with the seasonal price behavior of most of these crops in recent years, and would also reflect the generally abundant supply situation and the slightly reduced consumer demand which is expected this winter.

Wholesale prices paid in New York City for 14 currently important truck crops averaged 11 percent lower in the week ended December 1, 1945 than they did a month earlier, and were also 11 percent lower than in the corresponding week a year earlier.

Preliminary goals for commercial truck crops for fresh market shipment in 1946 suggest a combined acreage virtually the same as in 1945, but with some shifts between crops and in season and area of production, in order to provide a somewhat better regulated flow of supplies to the fresh markets. No price support program for fresh market truck crops in 1946 has been announced.

For Processing

Although the general level of prices which farmers will receive for commercial truck crops produced for processing is expected to average lower in 1946 than in 1945, there is at present a strong demand by processors for acreage for early processing in 1946 and for quantities available out of current fresh market supplies. This demand is making itself felt in competition with the fresh market for supplies in some producing areas, and is of considerable assistance in providing an outlet for some crops like cabbage which are in abundant supply.

Preliminary 1946 goals for commercial truck crops produced for processing suggest an aggregate acreage and production only 4 percent lower than actual acreage and production in 1945. No price support program for truck crops produced for processing has been announced for 1946.

POTATOES AND SWEETPOTATOES

Although carryover stocks of merchantable potatoes January 1, 1946 may be somewhere near 120 million bushels, the prospects for potato prices this winter and next spring are definitely brighter now than they were a month ago. Employment and demand have held up better than was commonly expected. A number of sizable export outlets have been developed, particularly Canada, Belgium, and France. The Government's loan program and the active diversion of potatoes purchased for price support to alcohol plants and other processors have provided a firm undertone in most producing areas. It is believed that prices which farmers receive for potatoes in the next 2 or 3 months may average a little higher than support prices, and will rise from month to month by about the increase in storage costs.

Preliminary goals for 1946 planted acreage of potatoes suggest a total acreage for the United States about 5 percent less than in 1945. This acreage with yields by States that might be expected with average growing weather, is calculated to produce a total crop of nearly 373 million bushels. Such a crop would definitely avoid surplus problems, assuming the Government disposes of any surplus from the 1945 crop without disturbing the market outlets for the 1946 crop.

The price support program and basic support prices announced for the 1946 crop are designed to permit growers to receive a return of not less than 90 percent of parity.

The 67 million bushels of sweetpotatoes produced in 1945, an average sized crop, probably will not meet total demand at ceiling prices. The growth in the United States population and the still-considerable noncivilian demands are expected to result in a civilian per capita supply of about 19 pounds compared with the prewar 5-year (1935-39) average of 23 pounds.

The preliminary United States goal for acreage of sweetpotatoes to be planted in 1946 is 750,000 acres, which is 1 percent larger than average for the 5 years, 1937-41, and 4 percent larger than the acreage planted in 1945. Though no specific loan program or price support schedules for 1946 sweetpotatoes have been announced, as a "Steagall" commodity, sweetpotatoes are entitled to support at not less than 90 percent of parity.

DRY EDIBLE BEANS AND PEAS

With supplies of dry edible beans and peas short of demand at support price levels, prices received by farmers are expected to continue at these levels for the rest of the 1945-46 season. Prices per 100 pounds received by farmers November 15, 1945, averaged \$6.41 for beans and \$4.07 for peas. The bean price was 8 cents higher than a year earlier, but the pea price was 76 cents lower, because of the lower support price for 1945-crop peas. Ceiling prices for dry beans are to be continued at least until June 30, 1946, according to a recent announcement by the Office of Price Administration and the Department of Agriculture.

A national goal of 2 million acres of dry beans in 1946 was recommended by the Department of Agriculture on November 30, 1945. This compares with a planted acreage of 1,976,000 acres in 1945. The recommended acreage for 1946 at average yields, would produce a crop of about 16.5 million bags (100 pounds each, uncleaned), a quantity estimated to be sufficient for prospective requirements. Although prices for the 1946 crop of dry beans--a Steagall commodity--are required to be supported at not less than 90 percent of parity, definite support prices have not yet been announced.

The national goal for dry peas as announced November 30 by the Department of Agriculture remains practically unchanged from the acreages announced last September. The goal now stands at 398,000 acres of dry smooth peas, plus 90,000 acres of wrinkled varieties. Prices for the 1946 crop of smooth peas, also a Steagall commodity, will be supported by the Department of Agriculture at not less than 90 percent of parity.

COTTON

Domestic cotton prices continued to strengthen during the past month, reflecting in part the extremely short domestic supply of new crop cotton--especially of the better grades--and the general strength in commodity prices. The price of Middling 15/16 inch in the 10 markets, which on December 15 averaged 24.67 cents a pound, was approximately $\frac{1}{2}$ cent a pound higher than a month earlier and nearly 3 cents higher than a year earlier.

With the December crop report indicating the smallest U. S. crop since 1921 and 3.1 million bales, or 25 percent, less than the 1934-43 average production, the total domestic supply of American cotton for the current season is now estimated at approximately 20 million running bales. This is 2 million or more bales less than the supply in each of the preceding 7 years. Despite the small crop, an especially large percentage of it was still unpicked up to December 1, at which time 82 percent of the crop had been ginned compared with a 10-year average of 93 percent. The unfavorable weather and the lateness of the harvest has resulted in the lowest average grade for any of the 18 years for which grade and staple estimates are available.

Domestic cotton mill consumption improved somewhat in November. Some additional increase in mill activity and cotton consumption is expected in the months immediately ahead, but during most of the season domestic mills are likely to consume smaller quantities than during the corresponding period last season. Exports, on the other hand, are expected to exceed those of last season during most of the next several months, and total disappearance may also run higher than in 1944-45.

WOOL

Commodity Credit Corporation selling prices for wool were substantially reduced on November 27 to bring prices of domestic wool to a level more competitive with prices of imported wool and to encourage increased use of domestic wool by U. S. mills. Previous selling prices, which had been in effect since the Government purchase program was inaugurated in 1943, were some 12 to 20 percent higher than prices of comparable imported wool. Under the new schedule, fine combing territory wool, which previously sold at \$1.16 to \$1.20 a pound, clean basis, is now available to mills at \$1.01 to \$1.05 a pound. Territory combing wool grading 56s-58s which previously sold at \$1.04 to \$1.09 a pound is available at 93 to 95 cents a pound. The reduction in prices, for all grades and classes of wool, averages about 7 cents per pound on a grease basis. The change applies only to selling prices. The Government is committed to continue purchasing wool through June 1946 at prices specified in the 1945 purchase program. After that, prices to growers will decline to a level competitive with duty paid prices of imported wool, unless Government support at some higher level is available.

Because of the lower prices of foreign wool and the decline in military orders, mill purchases of domestic wool have been relatively small in the 1945 marketing season and the greater part of the 1945 production has accumulated in Government hands. As of October 27, the CCC had purchased about 256 million pounds (grease equivalent) under the 1945 purchase program and only 53 million pounds had been resold to mills. In addition to the 1945 purchases the CCC on October 27 held 238 million pounds of domestic wool purchased under the 1943 and 1944 programs. If domestic wool proves attractive to mills at the lower level, Government stocks may be considerably reduced before the 1946 clip is available next spring, as privately owned stocks of domestic and imported wool held by United States mills and dealers apparently are not unusually large in relation to the current rate of mill consumption.

Mill consumption of apparel wool increased slightly in September from the summer low. The September consumption was equivalent to an annual rate of 850 million pounds (grease basis). Since it is likely that this rate has been maintained or exceeded during the final quarter of the year, total 1945 consumption for the fourth successive year probably will slightly exceed 1 billion pounds (grease basis).

TOBACCO

Reflecting the continued high level of domestic manufacture of tobacco products and the relatively low level of leaf stocks, demand for the 1945 crop of tobacco continues strong and prices at or near their wartime peaks. Price ceilings have been removed from the 1945 crop of cigar tobacco, and as freeze orders have been removed, the individual types have sold at prices substantially above last season. Only flue-cured and burley, the cigarette types, are now under price regulations. Practically all of the record 1945 crop of flue-cured has been sold at an average price of 43-1/2 cents per pound, compared with 42-1/2 cents last year. Burley markets opened December 3 with exceptionally heavy sales and prices of most grades at the ceilings. The average price of 47-1/2 cents during the first week of sales was about 3 cents above the corresponding period last year. This increase is in part attributable to a larger proportion of higher grades being marketed. This year's burley crop is the largest ever produced, and above last year's in average quality. Green River markets began November 27, and prices during the first two days of sales averaged 23.3 cents per pound, about 3 cents below the same period last year. Through November 30, sales of One Sucker averaged 24 cents per pound, about the same as a year earlier. Virginia fire-cured averaged 28 cents per pound during the first week of sales, about 3 cents above the corresponding period of 1944.

Production of tobacco products is continuing at or near the high wartime levels. The decline in overseas military purchases has been largely offset by increases in the quantity manufactured for domestic consumption. Cigarette production in 1945 is expected to exceed the record 330 billion produced in 1944 by about 10 billion. Tax-paid cigarettes (for domestic use) during October totaled 31 billion, the largest for any month in history. Production is not expected to continue at this level, however, after dealer inventories are built up to normal. Tax-paid cigars during October were 23 percent above October 1944, and for the first 10 months of this year exceeded the same months of 1944 by about 6 percent. Corresponding figures for manufactured tobacco (chewing and smoking combined) showed increases of 9 percent and 16 percent for the same periods. Snuff consumption during October, as indicated by sales of revenue stamps, was up 3 percent over October 1944, and during the first 10 months of 1945, was up 7 percent as compared with a year earlier.

